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Poland's economy continues to grow at a pace well above EU averages and remains an attractive, relatively low-cost destination for investors seeking access not only to the European Union (EU) but to a dynamic local market as well. Integration into the EU has been a gradual process. The developments in the Polish economy in 2004-2008 were influenced to a large extent by institutional and regulatory reforms undertaken in the years prior to accession on May 1, 2004. Adoption of EU legislation allowed Poland to reform the way in which its economy is regulated and restrict government intervention in the private sector. Changes in areas such as financial markets, company and competition law, accounting, and intellectual property rights have created a better environment for business. Euro adoption, expected over the next few years, will further the integration process.

A.1. Openness to Foreign Investment

General Attitude: Foreign capital has played an important role in the transformation and development of the modern Polish market economy. Since 1990, Poland has attracted more than $120 billion in foreign direct investment (FDI), principally from Western Europe and the United States. Poland recorded record levels of FDI inflows over the last three years. Investors are attracted by the country's economic potential, its young and well-educated work force, and its proximity to major markets. Poland grew by an average of 5.3% for 2005-2008 and while Poland will not escape the global downturn, growth projections continue well above EU averages. Poland's accession to the EU is perceived by many firms to have reduced Poland's country and investment risks and Poland has announced plans to join the Euro area common currency. EU membership also resulted in an influx of billions of Euros in new financial resources such as structural funds and the Cohesion Fund, which can be used to support investments in transport infrastructure, environmental protection, and introduction of new production technologies.

Foreign companies generally enjoy unrestricted access to the Polish market. However, Polish law limits foreign ownership of companies in selected strategic sectors, and limits foreign acquisition of real estate, especially agricultural land.

Public attitudes towards foreign investment are good, although specific cases of foreign investment have become controversial. For example, major retail discount chains continue to be criticized for driving smaller Polish-owned shops out of business. Legislation was enacted in 2007 to limit larger retail developments but the law was struck down as unconstitutional in 2008.

In recent years, Poland has introduced reforms to improve the climate for foreign and domestic investment. In 2006-2008, telecommunication regulations were relaxed, the foreign exchange law was simplified, and the overall tax burden was reduced slightly by lowering disability insurance contributions. Work to improve the bankruptcy law and the administration of real estate registers continued.

Simplification of VAT regulations progressed in 2008. As of December 1, 2008 the basic VAT reimbursement period is reduced to 60 days (from the previous 180 days). Other amendments have been made to conform to European Union standards. Reductions in personal income tax rates, originally planned for 2007, become effective in 2009. Starting January 2009, two personal income tax (PIT) rates apply in Poland: 18% and 32%. This replaces and on average reduces the 19%, 30% and 40 rates % in force until the end of 2008. Moreover, the government has managed to pass through the parliament pension reform which, as of January 1,Q009, dramatically reduces the number of people entitled to early retirement.

Major Laws and Regulations: The basic legal framework for establishing and operating companies in Poland, and in particular companies with foreign investors, is found in the Commercial Companies Code, which entered into force in January 2001, and the Law on Freedom of Economic Activity, which entered into force on July 2, 2004. Also relevant is the Act on European Economic Interest Grouping and the European Company of March 4, 2005, which allows a "European Company" to move its registered office from one EU state to another without losing legal personality.

With few exceptions, foreign investors are guaranteed national treatment. Companies that did not have any subsidiary established in an EU country before May 1, 2004, but that conduct, or plan to commence business operations in Poland must observe all EU regulations, and may not be able to benefit from all privileges to which EU companies are entitled. An example of an American company which may not benefit from such privileges is Dell Corp. DELL plans to build a second factory in Poland while the European Commission is checking whether Dell is eligible for public aid from the Polish government. The procedure should be completed in April or May 2009.

Under the 2000 Commercial Companies Code as amended, companies can be established as joint-stock companies, limited liability companies, limited joint-stock partnerships, professional partnerships, registered partnerships, and limited partnerships. All of these corporate forms are available to a foreign investor, provided the investor comes from a member state of the EU or the European Free Trade Area (EFTA), or has the right of permanent residence in Poland and is based in a country offering reciprocity for Polish enterprises. The United States offers such reciprocity. If the above conditions are not met, the investor may establish only a limited partnership, a limited joint-stock partnership, a limited liability company, a joint-stock company or purchase shares of such entities.

According to the Law on the National Court Register of October 1997, all companies, commercial partnerships, and sole proprietorships must be registered in the Register of Entrepreneurs, a part of the National Court Register managed by district courts. The Register of Entrepreneurs is open to the public. Post is unaware of any laws or regulations specifically authorizing private firms to adopt articles of incorporation or association which limit or prohibit foreign investment, participation or control.

Under the Law on Freedom of Economic Activity, branch offices are registered in the National Court Register under the name of the foreign investor, with the notation "branch in Poland." A branch office can perform any activity within the scope of business of the parent foreign investor that established the branch. In contrast, representative offices must limit their activities to promotion and advertising for the parent foreign investor. Representative offices are registered in a special log kept by the Minister of Economy. The law specifies certain situations in which registration may be refused (e.g., if required documents are not submitted on time or on national security grounds).

Screening and Licensing: Poland does not have any general screening mechanism for entry and establishment of businesses by foreign firms. Authorization requirements and foreign equity limits do exist for a limited number of sectors, such as broadcasting and air transport. The Law on Freedom of Economic Activity requires a permit from the Treasury Ministry for certain major capital transactions (i.e., to establish a company when an enterprise owned wholly or partially by a legal resident is contributed in-kind to a company with foreign ownership.) A permit from the Treasury

Ministry is also required to lease assets to or from a state-owned enterprise. Licenses and concessions for defense production and management of seaports are granted on the basis of national treatment for investors from OECD countries.

Polish law limits non-Polish ownership to 49% of a company's capital shares in the air transport and the radio and television broadcasting sectors. This requirement does not apply to EU investors. Waivers of these requirements are not available. Furthermore, in the insurance sector at least two members of management boards must know Polish. In the broadcasting sector, the number of Polish citizens on supervisory and management boards must be higher than the number of foreigners.

All investors must obtain governmental concessions, licenses or permits to engage in certain activities. Sectors in which concessions are required include broadcasting, aviation, energy, weapons, mining, and private security services. In 2008, the minimum validity for concessions was extended from two to five years. Regarding licenses and permits, some examples are:

-- The Polish Financial Supervision Authority (KNF) grants authorization to operate insurance companies and investment funds, and grants licenses for brokerage and banking activities;
-- The National Broadcasting Council issues radio and television broadcasting licenses;
-- The Economy Ministry issues permits for wholesale trade in alcohol, and wholesale and processing of precious stones and metals;
-- The Health Ministry authorizes permits for the pharmaceutical and medical materials sectors;
-- The Transport Ministry provides licenses for air, road and rail transport, and for mail services. Recent legislation removed the requirement for a concession to construct highways or express roads in an effort to facilitate development of this sector.

-- The Interior Ministry licenses the defense industry and security services;
-- Local governments provide permits for buses and taxis, waste disposal, pharmacies, and extraction of minerals.

The June 2004 Law on Freedom of Economic Activity introduced "regulated activity," which allows for engagement in certain activities on the basis of an entry into the regulated activity register. For example:

-- Telecom, postal and courier services
-- Manufacturing of tobacco products, manufacturing and bottling of alcohol and wine.

Other regulated activities can be found in the Law. In an effort to remove barriers to doing business, the government announced its intention to amend the Law on Freedom of Economic Activity, removing requirements for permits and concessions and replacing them with entries in the regulated activity register. In April, 2009 a "one window" option for business registration should be available. Also an e-platform with records of all economic activity entities (Centralna Ewidencja i Informacja o Dzialalnosci Gospodarczej) is scheduled to launch in July, 2011.

As part of the continuing efforts to harmonize Polish law with European Union requirements, a new Polish Classification of Economic Activities ("2007 PKD") came into effect on January 1, 2008. All businesses established after this date will use the 2007 PKD. Existing businesses, however, will have until December 31, 2009 to update all filings in which their business activities are specified through the use of PKD numbers.

Sale of agricultural land to foreigners has long been a sensitive issue. Since EU accession, citizens of the EU-27, as well as Iceland, Liechtenstein and Norway, generally do not need permission to purchase real estate, or to acquire or receive shares in a company owning real estate in Poland. There are two exceptions: acquisition of agricultural real estate, where Poland was granted consent to introduce a transition period, lasting until 2016, with respect to unrestricted acquisition of agricultural real estate by foreigners (with certain exceptions); and acquisition of "second homes" (i.e., a house that is not a place of permanent residence)

where a transition period, lasting until 2009, was introduced. Citizens from countries other than the EU-27, Iceland, Liechtenstein and Norway are allowed to own an apartment, 0.4 hectares (4,000 square meters) of urban land, or up to one hectare of agricultural land without a permit. Better classes of agricultural land require approval even by the Minister of Agriculture for legal transfer. Such land is not available to foreign ownership.

Citizens from countries other than the EU-27, Iceland, Liechtenstein and Norway still must obtain a permit from the Ministry of Internal Affairs and Administration (with the consent of the Defense and Agriculture Ministries), pursuant to the Act on Acquisition of Real Estate by Foreigners. A foreign business intending to buy real estate in Poland may apply for a provisional permit from the Ministry of Interior and Administration, which is valid for up to six months, during which time the company is expected to assemble documents demonstrating it is a viable business. Permits may be refused for reasons of social policy or public security.

A second form of land title is the perpetual lease, under which the lease holder generally controls the property for 40 to 99 years, and which can be extended for up to 99 additional years. Such a perpetual tenant has the right to dispose of its interest in the land by sale, gift, or bequest. Companies report that procedures to acquire real estate are transparent and that the process is not burdensome.

Privatization Program: The pace of privatization slowed in the last few years. Many of the more attractive government-owned companies have already been sold, while those remaining are frequently in financial difficulty or are otherwise politically sensitive. These include state-owned companies in the coal, electric power, gas, chemical, and defense industries. Employees and trade unions in the remaining state-owned companies, observing growing competition from the private sector, are increasingly skeptical about the government's ability to ensure a safe future. In general, employees and trade unions are becoming less distrustful of private investors, whose involvement in a company is often seen as a change for the better.

With relatively few exceptions, in major privatizations the Polish government has invited foreign investors to compete for a strategic interest. In general, bidding criteria have been clear and the process has been transparent. Some commentators have expressed concern about the level of foreign ownership of the Polish economy, especially in the banking sector, where foreign-controlled banks hold around 80% of assets. The government announced its ambition to privatize the Warsaw Stock Exchange, energy sector companies and Polish Airways LOT, but few concrete steps have been undertaken.

Discrimination against Foreign Investors: Generally, foreign investors receive similar treatment to domestic investors, both at the time of initial investment and after an investment has been made. In the past there were complaints about discrimination in public procurement contracts resulting from provisions in legislation favoring domestic firms. Since May 2004, all public authorities must apply the Public Procurement Law of January 2004, as amended by the November 2007 consolidated Act on Public Procurement, when selecting suppliers and service providers in public contracts. Under this law, a joint venture between foreign and domestic firms qualifies as "domestic" for procurement considerations. On joining the EU, Poland acceded to the WTO Government Procurement Agreement.

Innovative pharmaceuticals is a sector in which companies consistently complain of discrimination. Meaningful access to the Polish pharmaceuticals market often hinges on whether a drug appears on the government's reimbursement list, since doctors most often prescribe drugs from the list. Purchases from it are subsidized by the Polish National Health Fund, making them more affordable for patients. Despite legislative reforms in 2007, the process by which the Ministry of Health adds new products to the reimbursement list remains nontransparent and slow.

Moreover, in 2008 the Ministry of Health adopted a practice of requesting recommendations on reimbursement applications from the Health Technology Assessment Agency. Pharmaceuticals companies contend that this has decreased transparency and increased the delay

in acting on reimbursement applications. Inability to add new products to the reimbursement list has seriously undermined U.S. and international innovative drug producers" market position in favor of the Polish generics industry. The EU is currently investigating whether the Polish reimbursement process is in compliance with the EU's Transparency Directive.

Furthermore, the Polish government has also taken other steps that according to the U.S. innovative pharmaceutical industry have had disproportionate impact on foreign companies. First, in July 2006, the Polish government instituted a 13% across-the-board price cut on all imported pharmaceutical products. In response to complaints that this measure was discriminatory, in November 2007 the Polish government cut the prices paid to domestic producers to reflect a 13% reduction in the value of imported inputs. The European Commission continues to investigate the consistency of the price reductions with EU rules. Second, in late 2008, the Ministry of Health promulgated regulations restricting advertising of pharmaceutical products and the time and place for sales calls on medical professionals. The impact of these new marketing restrictions remains unclear. However, they could serve to further erode U.S. market share.

A.2. Conversion and Transfer Policies

Foreign exchange is widely available through commercial banks as well as exchange offices. Payments and remittances in convertible currency may be made and received through a bank authorized to engage in foreign exchange transactions, and most banks have such authorization. Foreign investors have not complained of any significant difficulties or delays in remitting investment returns such as dividends, return of capital, interest and principal on private foreign debt, lease payments, royalties, or management fees.

Amendments to the Civil Code and the Foreign Exchange Law from October 2008 lift the requirement for most payments between residents in Poland to be made in Polish zloty. Foreign currencies can freely be used for settling accounts. The amendments become effective on January 24, 2009 (Journal of Laws 2008 no.228 item 1506).

Poland provides full IMF Article VIII convertibility for current transactions. The October 1, 2002 Polish Foreign Exchange Law, as amended, fully conforms to the OECD Codes of Liberalization of Capital Movements and Current Invisible Operations.

The Foreign Exchange Law distinguishes between residents and non-residents. It defines residents as natural persons whose center of vital (economic or personal) interests is in Poland or individuals who spend more than 183 days in a tax (calendar) year in the country; companies having their registered office in Poland; and branches, representative offices and enterprises created by non-residents within the territory of Poland. Poland's ability to tax this income, however, may be limited by the provisions of an applicable tax treaty. Under the Law, non-residents include: natural persons with foreign residence; companies seated outside Poland; and branches, representative offices and enterprises created by residents outside the territory of Poland.

Countries that are members of the European Economic Area (EEA) and OECD are accorded the same treatment as countries that are members of the EU. In general, foreign exchange transactions with the EU, OECD and EEA countries are not restricted.

The Foreign Exchange Law also distinguishes between (i) countries that are members of the EU, EEA or OECD, and (ii) other "third" countries. A number of transactions/payments -- particularly those with third countries -- require individual foreign exchange permits issued by the president of the National Bank of Poland (NBP). Such permits are issued upon request unless doing so would be contrary to the public interest or Poland's international obligations. Also, a general foreign exchange permit regulation specifies some exceptions to the permit requirement, particularly for business relations with countries with whom Poland has signed a bilateral investment treaty (BIT).

Except in cases where a permit is required (which are limited), a foreigner may convert or transfer currency to make payments abroad for goods or services and also may transfer abroad his share of after-tax profit due from operations in Poland. Capital brought into Poland by foreign investors may be freely withdrawn from Poland in instances of liquidation, expropriation, or decrease in capital share. Full repatriation of profits and dividend payments is allowed without obtaining a permit. However, a Polish company (including a Polish subsidiary of a foreign company) must file and pay withholding taxes with the Polish tax authorities on any distributable dividends unless a double taxation treaty is in effect. There is a double taxation treaty with the United States. An exporter may open foreign exchange accounts in the currency it chooses.

Foreign exchange regulations require some information to be reported to the NBP, which includes, but is not limited to, the following:

- residents purchasing or selling goods or services to non-residents must submit data concerning down payment for the sale, and data concerning payment.

- companies with a registered office in Poland in which a non-resident has at least a 10% capital share, as well as branches of foreign companies, should submit an annual report concerning the foreign capital they possess.

- residents having a 10% capital share of a company with its registered office abroad, or residents having a branch with its registered office abroad, should submit an annual report concerning the capital they possess abroad.

- residents acquiring or selling real estate worth over EUR 10,000 to or from a non-resident must submit information concerning performance of the agreement.

- residents incurring or accommodating a non-resident with a loan or a credit of a value equal to or exceeding EUR 10,000 must submit information concerning the loan agreement and its performance.

- residents having bank accounts abroad must submit information concerning the opening and operating of such accounts.

Poland does not prohibit remittance through a legal parallel market, including one utilizing convertible negotiable instruments (such as dollar-denominated Polish bonds in lieu of immediate payment in dollars). As a practical matter, however, such payment methods are rarely, if ever, used.

A.3. Expropriation and Compensation

Article 21 of the Polish Constitution states, "expropriation is admissible only for public purposes and upon equitable compensation." The Law on Land Management and Expropriation of Real Estate provides that property may be expropriated only in accordance with statutory provisions such as those concerning construction of public works, national security considerations or other specified cases of public interest. Full compensation at market value must be paid for the expropriated property. Post is unaware of any cases of expropriation since 1990. Building new major highways in Poland could involve some expropriation of land.

A.4. Dispute Settlement

Some investment disputes have arisen in the last few years. Often they have involved state-owned enterprises, difficulties obtaining required permits, or government actions in sectors subject to heavy regulation.

Among the disputes:

-- In November 2007, an international arbitral panel ruled against Poland in a dispute with the Dutch financial group, Eureko,

regarding the purchase of a majority stake in the leading Polish insurer, PZU.

-- A power plant, in which a U.S. company invested EUR 30 million, has been closed since 2006 due to failure by the Polish government to enforce tariffs set by the Polish regulator. The U.S. investor has been unable to divest itself from this now-bankrupt enterprise.

-- A dispute in which local authorities repeatedly denied permits for a real estate development was resolved when newly-elected officials issued the permits.

The sale of state-owned enterprises, the government's move towards full adoption of EU regulations, and the passage of legislation more clearly defining the role of the state in economic activity should all lead to a reduction in investment disputes.

Like the "civil" French and German legal systems, the Polish legal system is code-based and prosecutorial. The judiciary acts independently. The Polish judicial system generally upholds the sanctity of contracts. Monetary judgments are usually made in local currency. Generally, foreign firms are wary of the slow and over-burdened Polish court system, preferring to rely on other means to defend their rights. Contracts involving foreign parties frequently include a clause specifying disputes will be resolved in a third-country court or through offshore arbitration.

A permanent arbitration tribunal to settle disputes arising from international commercial activities operates through the Polish Chamber of Commerce. There are a number of arbitration bodies associated with chambers representing various sectors of the economy, employers" confederations or local chambers of commerce. It is also possible to appoint ad hoc conciliatory tribunals to settle a particular dispute.

Decisions by an arbitration body are not automatically enforceable in Poland. They must be confirmed by a Polish court. Under the Polish Civil Code, judgments of foreign courts are accepted and enforced by local courts. Poland is party to four international agreements on dispute resolution, with the Ministry of Finance acting as the government's representative:

¶1. The 1923 Geneva Protocol on Arbitration Clauses
¶2. The 1958 New York Convention on the Recognition and Enforcement of International Arbitration Awards
¶3. The 1961 Geneva European Convention on International Trade Arbitration
¶4. The 1972 Moscow Convention on Arbitration Resolution of Civil Law Disputes in Economic and Scientific Cooperation

Poland is not a member of the Washington Convention on the Settlement of Investment Disputes between States and Nationals of Other States.

The Bankruptcy Law of February 28, 2003 became effective on October 1, 2003. Declarations of bankruptcy may be filed either by a company's creditors or its governing bodies (i.e., its Board of Directors or another body, depending on the corporate form of the debtor). Creditors of an insolvent company must file a claim in writing. The Creditors Preliminary Assembly has the right to decide, at the initial stage of the bankruptcy process, whether a work-out agreement is possible, or whether assets of a bankrupt company should be liquidated. Liabilities are repaid in the following order: cost of legal proceedings; employee remuneration; liabilities to the State and Social Security Fund (ZUS) secured by a mortgage or pledge; other liabilities secured by mortgages or pledges; other taxes and other public liabilities; other liabilities. The Mortgage Banking Act of 1997 and the Law on Registered Pledges and Pledge Registry of 1997 protect qualified mortgagors and secured creditors against subsequent tax liens and other secured and unsecured claims.

A new institution in Polish law, consumer bankruptcy, will appear in the first months of 2009. The Consumer Bankruptcy Act of December 2008 allows for debtors (natural persons) who have fallen into a state of insolvency through no fault of their own to exit the debt spiral. The new regulation will benefit not only natural persons, but also entrepreneurs who are the creditors of insolvent debtors.

An individual's ability to invoke this bankruptcy is limited to once every ten years.

A.5. Performance Requirements and Incentives

Poland has not notified the WTO of any measures it maintains that are inconsistent with its obligations under the TRIMS Agreement.

Performance Requirements: Poland generally does not impose performance requirements for establishing or maintaining an investment. However, in previous privatizations of certain large companies the government and the purchasers negotiated terms that included performance requirements.

Investment Incentives: In April 2002, the Polish Parliament passed a law addressing financial support for investments. In line with this law a company investing in Poland, whether foreign or Polish, may receive assistance from the Polish government. In June 2005, the Council of Ministers adopted a document outlining the system of financial support for major investment projects of special importance to the Polish economy. These incentives are subject to relevant EU requirements and have on occasion been found non-compliant by EU authorities.

A number of incentives are potentially available to foreign investors in Poland:

- Income tax and real estate tax exemption in Special Economic Zones (SEZ);

- Investment grants of up to 50% (70% for small- or medium-sized enterprises) of investment costs;

- Employment grants of up to EUR 5,000 per new employee;

- Grants for research and development;

- Grants for other activities, such as environmental protection, training, logistics or creating renewable energy sources;

- Sales of government-owned "brownfield" and "greenfield" locations at attractive prices;

- Potential partial forgiveness of commercial debt owed to a state-owned bank incurred for the acquisition of technology; and

- Varying incentives related to acquiring or developing new technology.

Regulations on special economic zones (SEZ) and on public assistance to entrepreneurs provide the basis for exemptions from income tax or other incentives. These were reviewed as Poland negotiated its entry into the EU, and EU norms on the allowable level of public assistance to private companies apply. Since April 2005, shared services centers providing accounting, auditing, and bookkeeping services, as well as call centers, may be located in SEZs.

In 2007, changes to tax exemption limits were introduced as a result of changes in the classification of Polish regions for public aid purposes. According to the 2007-2011 map of regional aid, the maximum admissible amount of regional aid in Poland is:

- Warsaw	30%
- Mazovia region (through 2010)	40% and 30% from 2011
- Pomerania, West Pomerania Upper and Lower Silesia, and Wielkopolska region	40%
- Other regions of Poland	50%

For small- and medium-size enterprises (SMEs) the maximum aid amount is increased by an additional 15 percentage points. The maximum amount of aid in the automotive sector may be subject to a special cap. Also, there is a special formula applied for calculating the admissible amount of aid for investment projects where qualifying expenditures exceed EUR 50 million.

Large investments considered crucial for the Polish economy may qualify for the Multi-Annual Support Program. This program usually combines different types of aid, e.g. employment grants, exemptions from corporate income tax in SEZs and the possibility of a preferential purchase price for land owned by the government.

The level of tax or other investment incentives is based on the relative prosperity of the region where the investment is made, the size of the investment, the number of jobs created, and the sector of the economy involved. Strategic investors may obtain an exemption from or reduction in real estate tax, as well as additional local incentives. All such exemptions must be negotiated with local authorities.

Foreign Participation in Government Financed Research: Foreign companies have not participated in government-funded research and development projects, managed by the Committee for Scientific Research. Nonetheless, there is no proscription against such participation with the exception of biotechnology. According to current law, private companies cannot conduct research with public institutions in the area of agricultural biotechnology.

Visa and Work Permit Requirements: Foreign investors can and do bring personnel to Poland. Falling unemployment and shortages of labor in some sectors of the Polish economy intensify inflows of foreign workers to Poland.

As of January 17, 2007 all EU citizens, including workers from newly admitted Romania and Bulgaria, are free to work in Poland without first obtaining a work permit. In addition Poland has opened its labor market to workers from member countries of EFTA.

As of February 1, 2008, citizens from neighbor countries with Poland, i.e. Ukraine, Belarus, and Russia, can undertake temporary work (up to six months per year) without a permit. This is a pilot program, which will run until December 31, 2009. If the effects are judged to be positive, the Ministry of Labor may extend the period of its validity.

U.S. citizens continue to be subject to Poland's work and residency permit regulations, unless they have otherwise established permanent residency in Poland or elsewhere in the EU. Poland's visa and work permit regulations offer the possibility for non-EU/EFTA citizens to live and work in Poland under certain conditions. However, in practice, foreign firms and persons have experienced difficulty in obtaining both visas and work permits. Poland requires an applicant to receive his or her visa in his or her home country, rather than in Poland or in neighboring countries. This procedure is often burdensome. Work permits are issued by local authorities, which vary greatly in the speed and willingness with which they issue permits.

Temporary employment agencies often encounter problems when employing non-EU or EFTA citizens in Poland, because of varying interpretations of ambiguous legislation and regulations. The Act on the Promotion of Employment and Labor Market Institutions allows employment agencies to obtain work permits for foreigners seeking work on a temporary basis in Poland. In practice, a number of provincial employment offices are reluctant to issue work permits for such persons. In order to employ such a person, permission must be granted by the appropriate provincial authority overseeing the official address of that company. According to some officials in provincial employment offices, foreigners can not be temporary employees and employment agencies can not employ foreigners as the place of work must correspond to the address of the company. Other officials have different interpretations of the same regulations. For this reason, employers using employment agencies should stipulate the address of both the agency and the precise location of an applicant's place of work.

Discriminatory or Preferential Export/Import Policies: The government supports exporters through export credit guarantees from a state-owned insurance entity (KUKE). KUKE provides credit guarantees for all firms registered in Poland (including foreign firms and firms with foreign capital). State-owned Bank Gospodarstwa Krajowego (BGK), on the basis of an agreement signed in 2002 with the Ministry of Finance, on subsidies of interest and export credits makes it easier for exporters to obtain cheaper

credit to finance exports.

A.6. Right to Private Ownership and Establishment

Domestic and foreign private entities have a general right freely to establish, acquire or dispose of a business, and to engage in almost all forms of lawful economic activities. Participation of foreigners is restricted in the broadcasting and air transportation sectors, while foreign ownership of other than a small amount of real estate property requires a government permit.

The Civil Code, as amended, regulates property rights among individuals or legal entities. Civil Code regulations are based on the principles of equality of all parties regardless of their ownership status, equivalency of obligations, discretion, protection of private ownership, and freedom of contracts.

The private sector is estimated to employ over two-thirds of Poland's labor force and to produce over 75% of GDP. State-owned entities still dominate some sectors, most notably coal, chemicals, and utilities. The same standards are generally applied to both private and public companies with respect to access to markets, credit and other business operations, such as licenses and supplies. Officials at various levels of government occasionally exercise their discretionary authority to assist state-owned enterprises. For example, tax authorities have not pressed some large, troubled state-owned enterprises to pay taxes, to avoid forcing those enterprises into bankruptcy. Nevertheless, in line with EU standards governing competition, the commercial code that took effect in 2001 established a more level playing field. Since EU accession, government activity favoring state-owned firms has received careful scrutiny from Brussels.

A.7. Protection of Property Rights

Poland has a non-discriminatory legal system accessible to foreign investors that protects and facilitates acquisition and disposition of all property rights, including land, buildings and mortgages. Many investors -- foreign and domestic -- complain that the judicial system is extremely slow. Foreign investors often voice concern about frequent or unexpected changes in laws and regulations. The Polish government continues to work on Civil Code amendments.

As regards real property, the 1997 Mortgage Banking Act provided that a recorded mortgage by a licensed mortgage bank takes priority over subsequent tax liens and other secured and unsecured claims. Outstanding residential mortgage debt grew rapidly from 2005 - 2008. However, In comparison to most Western countries the mortgage market in Poland is still relatively small; well below 15% of GDP.

As regards chattels and personal property, the 1997 Law on Registered Pledges and Pledge Registry provided protections for secured creditors, and established a new registry system. Creditors may place liens on assets and rights, both in the present and future.

Poland ratified the WIPO Performance and Phonograms Treaty on October 21, 2003, and the WIPO Copyright Treaty on March 23, 2004. Piracy of intellectual property still remains a problem in Poland. To comply with its obligations to the EU and under the WTO TRIPS Agreement, in 2000 Poland adopted comprehensive legislation governing intellectual property rights. Upon EU accession, the Minister of Culture issued a regulation mandating creation of a register of information concerning optical disk production and identification codes. In May 2007, the Parliament updated regulations governing patents, trademarks, and other industrial property. After these changes, the length of protection afforded to proprietary research test data submitted by pharmaceutical companies now matches EU standards. In May 2007, the Parliament closed a loophole that had blocked prosecution of downstream sellers of pirated goods. The Ministry of Culture heads an inter-agency group that produces an annual strategy for improving respect for intellectual property rights in Poland. Nevertheless, internet piracy remains a problem. Other challenges are lack of a lack of

competition among entities responsible for collecting and distributing royalties for use of intellectual property.

A.8. Transparency of Regulatory System

Regulatory unpredictability and high levels of administrative red tape are recurring complaints of investors. Foreign and domestic investors must comply with a variety of laws concerning taxation, labor practices, health and safety, and the environment. Complaints about these laws, especially the tax system, center on the lack of clarity and often-draconian penalties for minor errors. Under the Law on Freedom of Economic Activity, inspections are fewer and shorter, and binding tax interpretations are available. Establishment of the Central Anti-Corruption Office (CBA) in 2006 increased the number of institutions authorized to perform inspections in companies. However, the CBA is entitled to perform inspections of companies only in cases where the Treasury's interest is linked with a business interest (e.g. cases where a government official carries out economic activity, or government officials make decisions in such areas as privatization, public tenders, licensing, exemptions, quotas, or guarantees favoring certain firms or persons). The government is working on a complex reform package aimed at streamlining bureaucratic hurdles, such as procuring the licenses and permits required to open a business. Although similar reform efforts in the past have failed to win parliamentary approval, the Tusk government managed to introduce amendments to a number of business related regulations in such areas as foreign exchange, taxes, public procurement, consumer bankruptcy, making the environment for entrepreneurs friendlier.

Revisions to the corporate tax code, which started in 1999 improved transparency and lowered rates. Since 2004, the corporate income tax (CIT) rate has been 19%. Amendments to the Act on Corporate Tax passed in 2006 and 2008 include changes to definitions of a small tax payer and a foreign company and extend the catalogue of tax deductible costs. A tax payer is considered small for the purpose of tax on products and services when income including VAT does not exceed EUR 800,000 (around $1 million) in the preceding year (note: the Ministry of Finance has prepared a bill amending the PIT and CIT Laws, which will increase the income limit of a small tax payer to EUR 1.2 million (USD 1.6 million). This amendment, which should come into force in the first months of 2009, will unify PIT and CIT regulations with VAT regulations and will comply with the limit applied in the Law on Accountancy. The definition of a foreign company was modified using the OECD model. The list of tax deductible costs was expanded to include e.g., the costs of canceled (discontinued) investments.

Proposed laws and regulations are published in draft form for public comment, but in practice the period allotted for public consultations tends to be limited.

Standards-setting Organizations: Government agencies set industry standards. These agencies are not required to consult with domestic or foreign firms when establishing standards, but usually do so. Domestic firms tend to have more influence than foreign firms in the consultation process.

A.9. Efficient Capital Markets and Portfolio Investment

Capital Markets: Poland's policies facilitate the free flow of financial resources. Banks can and do lend to foreign and domestic companies. Companies can and do borrow abroad and issue commercial paper. Poland has healthy equity markets.

Equity markets include the Warsaw Stock Exchange (WSE); the "New Connect" trading platform; the Central Table of Offers ("CeTO"), an over-the-counter market; and the Electronic Treasury Securities Market, which operates on a basis similar to NASDAQ.

The regulatory framework for operations on the capital markets is contained in the 1997 Law on Public Trading and Securities, as amended. Since September 19, 2006, the Financial Supervision Commission has performed the regulatory tasks formerly performed by

the Securities and Exchange Commission.

A modern trading system (Warset) was launched on the WSE in 2000, and is based on a similar system used by the Paris bourse. The system enables direct cooperation with other stock exchanges in Europe. Since the opening of the WSE in 1991:

- The number of listed joint stock companies has increased from five to over 374 in late 2008.
- Capitalization has grown from $142 million in 1991 to over $150 billion in 2008 (around 40% of GDP compared to 80% in 2007).

In 2008, 33 companies, representing various sectors of Polish industry, were floated on the main floor, compared with 81 in 2007. Additionally, 85 companies entered the alternative trading platform "New Connect," which started its operations in 2007. The number of foreign companies listed on the WSE increased from 23 in 2007 to 25 in 2008. Countries represented include: the Czech Republic, Hungary, Austria, Ukraine and Italy.

The government elected in October 2007 announced plans to partially privatize the WSE in 2008. While they have not yet followed through, according to the latest plans, the Treasury could sell up to 73.82% of shares and keep 25% plus one share. The Treasury Ministry would welcome "one of the leading global markets" as a potential investor. Stock exchanges in New York and Europe as well as consortia consisting of financial investors and strategic investors show interest in buying the WSE shares. The Treasury Ministry expects completion of the privatization process of the WSE in 2011-2012

The New Connect trading platform was launched on August 30, 2007. New Connect is dedicated to small- and medium-size companies with high growth potential. The new exchange has less restrictive listing and capitalization requirements. The WSE expects that companies initially listed on New Connect will grow and "graduate" to being listed on the WSE.

The May 27, 2004 Act on Investment Funds allows for open-end, closed-end, mixed investment funds, and the development of securitization instruments in Poland. In general, no special restrictions apply to foreign investors purchasing Polish securities. However, corporate bonds are infrequently traded, and therefore can be difficult for foreign investors to buy. Investment funds are a rapidly growing segment of Poland's capital markets.

Venture capital activity is conducted by investment funds, consulting companies, investment banks, special funds belonging to financial corporations, companies in the IT sector, and individuals. Many participants in this area are foreign companies or companies with a foreign shareholder that have funds and experience in this type of activity on the domestic market. Many companies established by venture capital funds operate in the IT and media sectors. In 2006 and 2007, the biggest increase in such investment was in the consumer goods sector.

Credit Allocation: Credit allocation is on market terms. The government, however, maintains some programs offering below-market rate loans to certain domestic groups, such as farmers and homeowners.

Access: Foreign investors and domestic investors have equal access to the Polish financial markets. Private Polish investment is financed from retained earnings and credits, while foreign investment is mainly direct investment, using funds obtained outside of Poland. Polish firms raise capital both in Poland and in other countries.

Legal, Regulatory and Accounting Systems: Polish accounting standards do not differ significantly from international standards. In cases where there is no national accounting standard, the appropriate International Accounting Standards may be applied. As of January 1, 2008, all banks are obliged to follow the principles of the New Capital Agreement Basel II. These regulations increase sensitivity to risk and should lead to improved performance in the banking sector. Poland is in the process of harmonizing legal, regulatory and accounting systems with those in the EU. The major international accounting firms provide services in Poland and are

familiar with U.S., EU and Polish accounting standards.

Portfolio Investment: The Polish regulatory system fosters and supervises the portfolio investment market. Both foreign and domestic investors may place funds in demand and time deposits, stocks, bonds, futures and derivatives. The stock and Treasury bill markets are fairly liquid, but many other investments, such as Treasury bonds, are not.

The Polish Securities and Exchange Commission had a reputation as a strong regulator of the stock market. In September 2006, a Financial Supervision Commission was established, which assumed the duties of the Polish Securities and Exchange Commission. Since assuming those duties, the Financial Supervision Commission has maintained the reputation established by the Polish Securities and Exchange Commission.

Banking System: The banking sector is dominated by ten large banks. Of these, two are controlled by the Treasury Ministry, while the remaining eight are subsidiaries, controlled by foreign commercial institutions. The Polish banking system is considered one of the best regulated and supervised in Central and Eastern Europe and weathered the global financial crisis of 2008 better than many in the region. At the end of September 2008, the banking sector had total estimated assets of over $380 billion. Fast development of small and medium-size banks reduced concentration in the banking sector. The share of the ten biggest banks in the sector's assets fell to 63% from 65%, and in credits to 59% from 59.5%. The Financial Supervisory Authority reported that, at the end of September 2008, among commercial banks, non-performing assets in the portfolio of corporate sector assets decreased to 5.6% from 6.9%, while in the case of the household sector there was a drop from 4.1% to 3.5%. After the first nine months of 2008, 4.4% were non-performing, compared with 5.2% at the end of 2007. The decrease however was the effect of fast growth of total liabilities. The impact on these numbers of the global financial crisis is not yet clear.

Cross-shareholding: Cross-shareholding arrangements are rare and play a minor role in the Polish economy.

Hostile Takeovers: Neither the government nor private firms have taken measures to prevent hostile takeovers by foreign or domestic firms. Hostile takeover attempts are still rare.

A.10. Political Violence

Poland is a politically stable country. There have been no confirmed incidents of politically motivated violence toward foreign investment projects in recent years. Poland has neither belligerent neighbors nor insurgent groups. The Overseas Private Investment Corporation (OPIC) provides political risk insurance for Poland but is not frequently used as competitive private sector financing and insurance is readily available.

A.11. Corruption

Poland has laws, regulations and penalties aimed at combating corruption. Nevertheless, corruption is widely recognized as a continuing problem and a restraint on economic growth and development. In 2008, Transparency International ranked Poland 58th among 180 countries (with 1st place being least corrupt and 180th most corrupt). In 2007, Poland was ranked 61st among 180 countries.

OECD Anti-Bribery Convention: Poland ratified the OECD Convention on Combating Bribery in 2000. Implementing legislation became effective February 3, 2001.

Cases of Corruption: Reports of alleged corruption most frequently appear in connection with government contracting and the issuance of a regulation or permit that benefits a particular company. Allegations of corruption by customs and border guard officials, tax authorities, and local government officials are common, although decreasing. If such corruption is proven, it is usually punished.

Businesses report that Polish officials have asked for political campaign contributions in return for favorable treatment. Overall, U.S. firms have found that maintaining policies of full compliance with the U.S. Foreign Corrupt Practices Act is effective in building a reputation for good corporate governance and that doing so is not an impediment to profitable operations in Poland.

One of the chief tools in preventing corruption is a transparent system of government procurement by open tender at all levels of government. A 1997 law restricts economic activity for those holding public positions. This law prevents a public official from engaging in business activities where he or she would have a conflict of interest while he or she is an official and for one year thereafter. The law applies to parliamentarians, government officials, and local officials. On July 1, 2003, new penal code regulations combating corruption came into force. These amendments include: no punishment for those from whom bribes are extracted when they inform police about this fact; a broader definition of a public official; and seizure of assets if an accused person does not prove they derive from a legal source.

Seriousness of Government Efforts To Combat Corruption: On June 9, 2006, the Polish parliament established a Central Anti-Corruption Office (CBA). Establishment of the CBA, with its focus on penal repercussions, was a key part of the government's anti-corruption drive. Some businessmen report that corruption - especially in the area of public procurement - markedly declined following the implementation of the CBA.

Bribery of a Domestic Official: Bribery and abuse of public office are crimes under the Polish Criminal Code. Penalties include imprisonment from six months to 12 years, and forfeiture of items derived from an offense.

Bribery of a Foreign Official: Legislation implementing the OECD Convention classifies the payment of a bribe to a foreign official as a criminal offense, the same as if it were a bribe to a Polish official.

Enforcement Agencies: The CBA, which answers directly to the office of the Prime Minister, is the primary law enforcement agency responsible for investigating public corruption. It coordinates anticorruption activities with other public institutions, such as the police and the internal security services (particularly the Polish Internal Security Agency (ABW)). The Justice Ministry and the police are responsible for enforcing Poland's anti-corruption criminal laws. The Finance Ministry administers tax collection and is responsible for denying the tax deductibility of bribes.

Convictions: Post is unaware of any case in which a foreign investor or major government official has been found guilty of corruption, although a number of investigations commenced in recent years are ongoing.

"Watchdog" Organizations: Several NGOs, including a Polish chapter of Transparency International as well as several business groups, including the American Chamber of Commerce have launched campaigns to increase public awareness.

A.12. Bilateral Investment Agreements

Bilateral Investment Agreements: As of the end of 2008, Poland had ratified 60 bilateral investment agreements: Albania (1993); Argentina (1992); Australia (1992); Austria (1989); Azerbaijan (1999); Bangladesh (1999); Belgium and Luxembourg (1991); Belarus (1993); Bulgaria (1995); Canada (1990); Chile (2000); China (1989); Croatia (1995); Cyprus (1993); the Czech Republic (1994); Denmark (1990); Egypt (1998); Estonia (1993); Finland (1998); France (1990); Germany (1990); Greece (1995); Hungary (1995); India (1997); Indonesia (1993); Iran (2001; although they support international sanctions regimes); Israel (1992); Italy (1993); Jordan; Kazakhstan (1995); Kuwait (1993); Latvia (1993); Lithuania (1993); Macedonia (1997); Malaysia (1994); Moldova (1995); Mongolia (1996); Morocco (1995); the Netherlands (1994); Norway (1990); Portugal (1993); Romania (1995); Serbia and Montenegro (1997); Singapore (1993); Slovenia (2000); Slovakia (1996); South Korea (1990); Spain (1993);

Sweden (1990); Switzerland (1990); Thailand (1993); Tunisia (1993); Turkey (1994); Ukraine (1993); United Arab Emirates (1994); the United Kingdom (1988); the United States (1994); Uruguay (1994); Uzbekistan (1995); Vietnam (1994).

Agreements with the United States: The United States and Poland signed a Treaty Concerning Business and Economic Relations in 1990; it entered into force in 1994 for an initial period of ten years. The Treaty grants U.S. investors domestic privileges and provides for international arbitration in the case of investment disputes. In 1974, the United States and Poland signed a double taxation treaty. Prior to accession to the EU Poland reviewed its agreements with third countries for their compatibility with EU law. In June 2004, Poland completed the necessary amendments to bring the bilateral U.S.-Polish economic treaty into compliance with EU regulations. Ratification of the amended bilateral treaty on business and economic relations took place in October 2004. The U.S.-Poland "Totalization Agreement" signed on April 2, 2008 will become effective on March 1, 2009. The Agreement stops dual taxation, opens the door for payments to suspended beneficiaries (i.e., Polish widows) and allows transfer of benefit eligibility.

A.13. OPIC and Other Investment Insurance Programs

OPIC: The Overseas Private Investment Corporation (OPIC) provides political risk insurance for U.S. companies investing in Poland against political violence, expropriation, and inconvertibility of local currency. OPIC offers medium- and long-term financing in Poland through its direct loan and guarantee programs. Direct loans are reserved for U.S. businesses or cooperatives. Loan guarantees are issued to U.S. lending institutions.

MIGA: The World Bank's Multilateral Investment Guarantee Agency also provides investment insurance similar to OPIC's for investments in Poland.

Foreign Exchange: Poland maintains full convertibility of the zloty, apart from a few restrictions on short-term capital movements. Foreign currency is freely available from the banking system. At the height of the global financial crisis, short-term foreign currency lending, particularly interbank-lending, slowed following tightening by parent institutions (Poland's banking sector is dominated by subsidiaries of large European banks). However, the government and Central Bank took some measures (similar to other major economy responses) to provide short-term liquidity and the problem has since eased. Since March 2000, Poland has maintained a freely floating exchange rate regime. As a requirement of EU membership, Poland must enter the European Exchange Rate Mechanism (ERM2). The Polish government set an aggressive timetable for Euro convergence, although the recent global financial crisis and political hurdles may push that target back somewhat. Most observers believe Poland will eventually meet the Maastricht requirements and overcome domestic political hurdles to Euro-adoption, although most believe this will not happen before ¶2013.

A.14. Labor

Poland has a well-educated, skilled labor force. Productivity remains below western standards but is rising rapidly and unit costs are competitive. At the end of November 2008, the average gross wage in Poland was $1140 per month. In the first nine months of 2008 wages measured in zlotys increased by 10.5% compared with the corresponding period of 2007.

Poland's economy employed over 13 million people at the end of 2007, with 9.1% registered as unemployed at the end of November 2008. (Note: Some of the registered unemployed actually work in the unofficial, gray economy. Unemployment would be lower if measured using the standardized EU methodology). While unemployment dropped in all provinces in 2008, the rate of decline varied substantially from one region to another. At the end of November 2008, the lowest levels of unemployment were in major urban areas.

Polish workers are usually eager to work for foreign companies, and have taken advantage of opportunities for employment in Great Britain, Ireland and Scandinavia. Since Poland joined the EU, an estimated one million Poles have sought work in Western Europe. This trend slowed or stopped in late 2008 as employment opportunities in Western Europe worsened. Overall, employment in the public sector continues to shrink as the private sector grows. Employment has expanded in service industries such as information technology, hotels and restaurants, and the retail trade. The state-owned sector still employs about a quarter of the work force, although employment in fields such as coal mining, steel, and energy is declining.

Most aspects of employee-employer relations are governed by the 1996 Labor Code, which outlines employee and employer rights in all sectors, both public and private, and has been gradually revised in order to adapt to EU standards. The Polish government also adheres to the International Labor Organization (ILO) Convention protecting worker rights.

A.15. Foreign Trade Zones/ Free Trade Zones

Foreign-owned firms have the same investment opportunities as do Polish firms to benefit from foreign trade zones (FTZs), free ports, and special economic zones. The operation of FTZs in Poland is regulated by the 2004 Customs Law. Duty free zones can be established by the Minister of Finance, in cooperation with the Minister of Economy. They are managed by authorities designated by the Ministers - typically provincial governors who issue the operating permit for a given zone.

Most activity in FTZs involves storage, packaging and repackaging. In 2008, there were seven FTZs: Gliwice, near Poland's southern border; Terespol, near Poland's eastern border; Mszczonow, near Warsaw; Warsaw's Okecie International Airport (duty-free retail trade within the airport); Szczecin; Swinoujscie; and Gdansk. Duty-free shops are available only for travelers departing to non-EU countries.

There are also seven bonded warehouses: Gdynia (sea port); Krakow-Balice (airport); Wroclaw-Strachowice airport); Katowice-Pyrzowice (airport); Gdansk-Trojmiasto(airport); Lodz(airport); and Braniewo (near Olsztyn).

Bonded warehouses and customs and storage facilities are operated pursuant to permission issued by the customs authorities, and can be operated by commercial companies. Bonded warehouses can be open to the general public, while a private warehouse is reserved for warehousing of goods by the warehouse keeper. The authorization to operate such a customs warehouse can be issued only to persons established in the EU.

When products are re-exported, customs duties are either partially or fully reimbursed to the importer (depending on how long the goods were in Poland). Reimbursement is made within 12 months of the date of customs clearance.

A.16. Foreign Direct Investment Statistics

Investment Trends: In recent years Polish foreign assets and liabilities grew systematically as Poland's financial market continues to integrate into international markets. Factors driving foreign direct investment included: EU accession, Poland's continuing export success, low corporate tax rates, and increasingly effective promotion of investment opportunities and benefits. Foreign companies also choose to invest in Poland because of a large and growing domestic market, availability of skilled workers, competitive labor costs, and proximity of major markets (especially the EU and Russia).

Since 2004, reinvested profits are the main component of direct foreign investments in Poland. In 2007, they amounted to $7.7 billion, representing almost 40% of FDI inflows and 50% higher than ¶2006. Privatization of large companies plays a marginal role in

total FDI. In 2005, the phenomenon of "capital in transition" appeared in Poland; in a reporting year, inflow of foreign funds that increase the equity of foreign direct investment companies is reported, and then these funds are invested in branches or companies being established outside Poland. In 2007 capital inflows related to the purchase of shares or assets in kind remained stable and accounted for less than 20% of total FDI, whereas in 2000 they had accounted for 90% of total FDI.

Polish Investment Abroad: Poland is a net capital importer. Compared to the quantity of foreign capital invested in Poland, Poland's foreign investments are still small, but grew rapidly over the last three years. According to data from the National Bank of Poland, through the end of 2007 Polish firms invested $4.7 billion abroad. In December 2006, PKN Orlen acquired the Mazeikiu refinery in Lithuania for $2 billion, Poland's largest foreign investment to date. Most significant in 2008, were oil and gas exploration investments by Poland's Petrolinvest in Kazahkstan. Other leading destinations for Polish investment are: Switzerland (19.6%) Luxembourg (11.5%), Lithuania (10.4%), Netherlands (8.1%), Ukraine (8.04%), Germany (6.3%) and Czech Republic (5.1%). About 68.5% of Poland's foreign investments are connected with the services sector; other investments are in manufacturing (18.8%), and financial services (4.3%).

Levels of Foreign Direct Investment: According to the NBP, in 2007 FDI inflows to Poland reached $22.63 billion (5.3% of GDP). FDI in 2008 is projected to exceed $13.5 billion. At the end of 2007, Poland's cumulative FDI totaled $141.1 billion, equivalent to almost 35% of GDP. Since 1998, FDI has been most stable in such sectors as manufacturing (29.8%) and trade (13%). In 2007, FDI in real estate was a major item, accounting for 9.6% of total FDI. According to NBP data, U.S. firms account for over $10.1 billion of the total $141.1 billion FDI at the end of 2007. Some investments by U.S. firms are undercounted in reporting because they are attributed to other countries if they are made through third countries such as a US subsidiary in Brussels. After adjusting for this, Post believes a more accurate figure would be around $15 billion. Poland's accession to the EU in 2004 had a positive effect on FDI in Poland.

According to Polish official statistics, the U.S. is the fifth largest investor in Poland in terms of the volume of capital invested. Investors from OECD countries accounted for 88% of the cumulative value of investment from 1993 to 2007. EU states accounted for over 80%. Poland remains an attractive destination for American investors, whose share of cumulative FDI in Poland reached over 7% in 2007. In 2007 the largest foreign investors were companies from Germany ($3.9 billion), followed by France ($2.43 billion), Netherlands ($2.37 billion), Belgium and Luxemburg ($ 1.81 billion), Austria ($1.23 billion), U.S. ($1.13 billion) and Sweden ($1.11 billion). In 2007, the three biggest investors in Poland were: Dell ($272 million), Indesit ($105 million) and Toshiba ($58 million).

The manufacturing sector remains the most popular sector for foreign investors in Poland. From 1990 to 2007, this sector accounted for over 30% of accumulated inflows, mainly in transport equipment, food stuffs and beverages, wood, paper and paper services, the chemical industry and the metals sector. The automotive sector received most of the investment - $7.8 billion (17.4% of capital inflow to the manufacturing sector). The second most attractive sector for foreign investors was financial services (almost 17% of accumulated inflows from 1990 to 2007), followed by the trade and repairs sector (around 16%). Those three sectors attracted over 60% of total FDI. In recent years foreign firms created a considerable number of service centers in Poland including back office operations. In 2007, over $10 million was invested in that area compared to over $2 million in 2004. There are over 150 service centers established by foreign companies in Poland.

Moreover around 50 research and development centers (with Intel, Motorola, ABB, IBM SAS Institute, Nokia and Oracle leading the way) were established by foreign investors in recent years, creating thousands of jobs.

PAIiIZ, the Polish Investment Agency, expects 2008 to be almost as good as 2007 for FDI. The main investors in 2008 were companies from the United States and Europe. The main sectors of interest were

electronics, business process off shoring (BPO) and the automotive industry.

Note: PAIiIZ stopped publishing FDI data in 2006. The government of Poland now uses National Bank of Poland statistics which do not directly correspond to PAIiIZ data. Data in this report are no longer directly comparable to previous editions of the Investment Climate Statement for Poland.

Cumulative FDI, by industry (Through Dec 2007)

(Note: Tables and data have been removed for cable formatting. They were included in an emailed version and are available upon request from Tom Palaia TPalaia@State.gov.)

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